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5 December 1957

CURRENT INTELLIGENCE WEEKLY SUMMARY



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PART I

OF IMMEDIATE INTEREST

INDONESIA

Communist exploitation of the anti-Dutch drive in Indonesia apparently is forcing the government to move faster against Dutch enterprises than it had planned. On 2 December members of the Communist-led labor federation SOBSI without government sanction occupied or established harassing surveillance over the Djakarta offices of at least seven large Dutch firms. To date, they have relinquished only one of them--KPM, the interisland shipping firm--to official security forces.

The government has announced it will take over these firms. When Prime Minister Djuanda announced on 3 December that drastic action would be taken against the workers if they undertook to seize the firms permanently, minor SOBSI officials allegedly demanded participation in the companies' management.

The government has ordered specific groups of Dutch nationals expelled and the closing of the seven Dutch consulates outside Djakarta. The departure of the Dutch will leave a vacuum that the government will be forced to fill by accepting other foreign assistance. The combination of leftist influence in the government and President Sukarno's intense anti-Dutch feelings, which may be extended to other Western nations, make it increasingly likely that Indonesia will turn to the Sino-Soviet bloc.

In addition to the Soviet \$100,000,000 loan which is awaiting implementation, the USSR, [redacted]

[redacted] has offered to supply ships to Indonesia, and has requested permission of the Indonesian government to hold an atomic exposition in Indonesia in 1958. The Indonesian government is believed to have approached the USSR on the possibility of purchasing rice, and the second shipment of Soviet jeeps, under a contract for the purchase of 4,000, has just arrived at the port of Surabaya.

The growing consensus in Djakarta is that President Sukarno will react to the attempt on his life by retaliating against persons and groups which have opposed his policies. Such action would be likely to result in Sukarno's closer association with the leftists and would harden the opposition of regional leaders.

The national reconstruction conference, which concluded on 4 December, was regarded by disaffected regional leaders as of little value. [redacted]

[redacted] they will return to their provinces feeling it is useless to try to effect changes in the Djakarta government or in Sukarno's policies. They claim they will concentrate their efforts on local reconstruction in an effort to further develop economic autonomy.

In South Sumatra, where an anti-Communist army regime has been in control for the past year, the Communists again scored gains in some localities in the 1 December elections. These gains appear to be limited to oil centers where SOBSI-affiliated unions are strong.

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SOVIET PROPAGANDA ON FORTHCOMING NATO MEETING

With the approach of the NATO conference in Paris on 16-18 December, Soviet official spokesmen and propagandists have stepped up their campaign to exploit differences between NATO members and to arouse fears among Westerners. Moscow's objective is to generate popular anxiety which will induce NATO governments to postpone any decisions to strengthen Western unity and defense until Soviet intentions can be explored in a new round of high-level East-West talks. Soviet party chief Khrushchev, in his 40th anniversary speech on 6 November, set the theme with his charge that the Paris meeting "bodes no good for the cause of peace."

Moscow's divisive propaganda efforts have centered on a claimed crisis within the Atlantic pact community. This crisis has allegedly been brought on by "imperialist contradictions" and growing uneasiness in the West in the face of the Kremlin's charges that recent Soviet successes in the scientific and technical fields have caused a shift in the East-West balance of power.

Soviet propaganda on NATO since the launching of the sputniks has tried to picture the Atlantic alliance as an outmoded organization which is incapable of halting the march of history and restoring the past. Considerable effort has been devoted by using quotations from Western publications, to demonstrate that there is a state of nervousness over possible failure of the Paris meeting because of a European loss of confidence in America's ability to win a war with the USSR. French reaction to the

Anglo-American shipment of arms to Tunisia was seized on as visible proof of the "imperialist contradictions" threatening the solidarity of the Atlantic community and was exploited in broadcasts to the smaller NATO members to demonstrate that the United States and Britain were willing to sacrifice their alliances with France in order to oust the French from North Africa.

Soviet propagandists have devoted considerable effort to exploiting latent fears among Western European nations of a revenge-seeking West Germany, rearmed and supported by the United States. Non-German audiences have been told that West Germany has been pressing for a greater role in the management of NATO affairs and that the question of equipping the West German army with atomic rocket weapons will be discussed at the Paris meeting. German audiences, on the other hand, have been warned that the Federal Republic will become an atomic powder keg and would be subjected to immediate and devastating counterblows if "German militarists" were to unleash a war.

Khrushchev, as well as Soviet commentators, has threatened the European members of NATO with destruction in a future war and predicted that sentiment in countries with American bases would turn against NATO as their peoples realize that "Soviet counterblows" would follow an attack on the USSR. In the most recent such statement, Soviet Premier Bulganin claimed on 2 December that the NATO meeting will "put the finishing touches to new programs in the armaments race" and "preparations for war."

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Border tensions between Israel and Jordan appear to have eased momentarily as a result of UN Secretary General Hammarskjold's efforts. An Israeli truck convoy passed through Jordanian territory on 5 December to supply the Israeli positions on Mt. Scopus, and press reports state that it carried gasoline, the item disputed by the Jordanians. The terms of the agreement achieved by Hammarskjold are not yet known. It is very unlikely that this agreement, apparently resolving the immediate issue, will lead to any significant progress on other border problems.

The Syrians seemed last week to be whipping up another, if less dangerous, anti-Turkish campaign. Rallies in many places in Syria were staged to lament the loss to Turkey of Alexandretta, which was ceded by France during the period of French mandatory control over Syria. Turkey continues to be seriously concerned by what it regards as the trend in Syria of becoming a Soviet satellite, but apparently hopes that moderate elements among the Arab states may still be able to force some shift of Syrian policy. Marshal Bulganin's 25 November warning letter to Ankara failed to disturb Turkish leaders any more than the previous Soviet note.

Egypt's minister of industry was scheduled to meet on 4 December with the Soviet ambassador in Cairo to "prepare details" for the economic talks a 40-man Egyptian delegation expects to carry on in Moscow as a follow-up to the \$178,000,000 Soviet-Egyptian line

of credit agreement. According to the Egyptian announcement, Cairo intends to "present" to the USSR 54 projects with an estimated foreign currency cost of about \$164,000,000--some \$14,000,000 less than the Soviet Union has agreed to provide.

The portion of the cost of these projects to be paid for in Egyptian currency is about \$123,000,000, and Egyptian Finance Minister Kaysuni is reported to be concerned over where this money will come from, particularly if, as some of Nasir's advisers are urging, the Egyptian Five-Year Plan (1958-1962) is compressed into three years. Moreover, these projects represent only a part of Egypt's whole plan, for which the total foreign currency costs alone are estimated by the Egyptians at about \$430,500,000. The Soviet agreement would cover but a little over 40 percent of this sum. These figures suggest one of the reasons why spokesmen for the Nasir regime continue to insist that the door remains open for Western aid.

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PART II

NOTES AND COMMENTS

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MIKHAIL SUSLOV'S ROLE IN RECENT MOSCOW MEETINGS

Soviet party presidium member Suslov's leading role in the recent Moscow meetings of Communist party leaders has increased speculation regarding his personal power and political intentions vis-a-vis Khrushchev.

Suslov's chief responsibility for the last several years has been relations with the satellites and other Communist parties. His extensive travels and conferences within the Communist bloc indicate that he was well qualified to chair the bloc meeting.



However, Suslov's capabilities extend to a number of fields. He has been at various times a responsible official in the party control commission, first secretary of party oblast committees, a leading member of the North Caucasus military council, lecturer in political economy, chief of the Propaganda and Agitation Administration of the party central committee, editor of Pravda, and head of the central committee Department for Liaison with Foreign Communist

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parties. His extensive remarks at the 20th party congress on party organizational work indicate he may also have exercised supervision over party personnel work during a period prior to July 1955.

Suslov became a secretary of the party central committee in 1948; he thus has seniority on that body over Khrushchev, who became a secretary in 1949 and first secretary in 1953. Khrushchev may have arranged Suslov's transfer from supervision of Soviet party personnel to full-time responsibility for foreign Communist parties to eliminate any opportunity for Suslov to build up his own support within the Soviet party.

There have been no indications from Suslov's speeches or interviews that he is in dis-

agreement with post-Stalin policies. At the June central committee plenum, Suslov reportedly took the chair and directed the meeting against the "antiparty" group; and the variety of his activities during the late summer and early fall of this year indicate that he was probably left in charge, with Mikoyan, while the other top leaders were away from Moscow.

Khrushchev may be presenting Suslov to the foreign Communists as a "Stalinist" bogymen whom he must conciliate. In this way Khrushchev may hope to weaken Suslov as a rival and gain satellite support for himself personally, while using Suslov's abilities to maintain effective Soviet leadership in the bloc.

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SINO-SOVIET MILITARY TALKS CONCLUDED

Communist China's 12-man delegation of top military leaders concluded its talks with Soviet officials on 30 November and has returned to Peiping. Both Moscow and Peiping have avoided explicit comment on the visit, but the Russians appear to have made firm commitments for new military aid to the Chinese. The close understandings reached by Mao Tse-tung and Soviet leaders during the 40th anniversary celebrations in early November paved the way for this development.

In a speech made before the Chinese delegation on 27 November, Soviet Defense Minister Malinovsky declared Moscow's willingness to "transmit our experience in the building up of armed forces to our Chi-

nese friends." Premier Bulganin told the delegation on 30 November the USSR would continue to strengthen the "defensive preparedness" of the Soviet and Chinese armed forces.

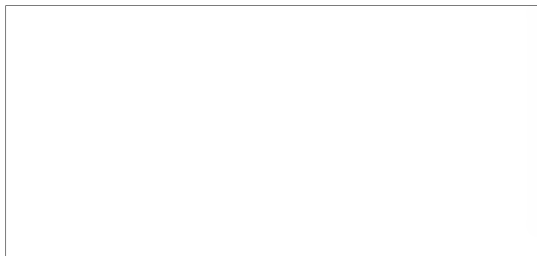
The areas and installations visited by the Chinese military group provide no insight into the specific types of military equipment that may be involved. They watched naval maneuvers at Leningrad and visited local commands at Minsk, Kiev, Tbilisi, Vladivostok, and Khabarovsk. They are not known to have gone to any installations associated with missile or nuclear weapons testing, although they had time during their Transcaucasus tour to visit missile centers such as that at Kapustin Yar.

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Malinovsky
told reporters on 29 November
that the Chinese "can make all
the weapons they want them-
selves." [Redacted] Concurred
in by ORR and OSI)

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SOVIET-JAPANESE TRADE AGREEMENT

Japan and the USSR are scheduled to sign a trade and cash payments agreement in Tokyo on 6 December, the first between the countries since World War II. The one-year agreement, reached after three months of negotiations during which both sides compromised on several points, stipulates a trade target of approximately \$30,000,000 each way. They also will sign a five-year commercial treaty, an agreement to exchange trade missions, and an accord on most-favored-nation treatment.

The trade goal established in the primary agreement is approximately ten times larger than Soviet-Japanese trade in 1956 and thus, although Soviet-Japanese trade is expanding this year, the goal may not be attained the first year. Pressure within Japan for imports from the USSR is not great and many businessmen admittedly are suspicious of trade relations with the USSR as a result of past experiences. The Soviet Union will probably try to implement fully its side of the agreement in order to sustain its assertion that the trade volume can eventually reach \$500,000,000. The one-year agreement is renewable annually and new trade goals probably will be established in the light of the first year's results. Accounts are to be settled in

pounds sterling, although Tokyo granted a Soviet request that individual barter transactions be permitted.

The commercial treaty lists items to be traded by each side. The list of Japanese exports includes heavy industrial products, textiles, chemicals, and sundries, while Soviet exports include mineral ores, coal, lumber, and oil. The Soviet negotiators showed particular interest in Japanese industrial and farm machinery, rolling stock, ships, and iron and steel products.

The most-favored-nation provision appears to be one of principle only, except for certain tax exemptions. Both nations reserve the right to restrict imports from the other should an imbalance or shortage of foreign exchange occur, and the USSR consented to honor Japan's adherence to COCOM controls.

The size of trade missions to be exchanged has not been revealed, but it has been agreed that the mission chief and two deputies on each side would be accorded full diplomatic privileges. This agreement may have an important bearing on Japanese trade talks with Communist China, which are suspended over the issue of the size and privileges of proposed trade missions. [Redacted] (Con-
curred in by ORR)

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EAST GERMAN REGIME ADOPTING TOUGHER DOMESTIC POLICIES

Basic internal East German policy has been recast--probably with Soviet approval and at Party First Secretary Ulbricht's instigation--in the direction of a harder course aimed at the more rapid communization of the German Democratic Republic (GDR). The decision to adopt a tougher line was probably arrived at during the Khrushchev-Mikoyan visit last August. As tougher policies are implemented, tensions will probably increase throughout the country, but the presence of impressive Soviet military strength is likely to prove sufficient to deter overt anti-regime demonstrations on a large scale.

Reports of actions to be taken at the forthcoming 35th plenum of the Socialist Unity (Communist) party (SED), together with other evidence, indicate that the stepped-up push toward greater communization will emphasize further repression, coupled with drives for increased production at lower cost. It has been reported that work norms in many industries are to be revised upward and wages cut. Pressures for greater agricultural production are to be combined with an intensification of agricultural collectivization and efforts to compel young people to become farmers. Private craftsmen and businessmen are to be subjected to pressures aimed at forcing them into cooperative production associations.

Other measures to be stressed in the communization drive are harsher punishments for all crimes; further suppression of criticism of Communism; improved political indoctrination in educational in-

stitutions and the armed forces, including an improvement of teachers' political reliability; and a general overhaul of the party apparatus aimed at achieving greater efficiency. Furthermore, youths will be subjected to even greater controls, with the party directing the use of "free" time and vacations for productive work.

The re-emphasis on a Stalinist approach to East German problems probably reflects a determination by the USSR to compel East Germany to make a greater contribution to bloc economic self-sufficiency. East Germany may be expected to repay the credits it has received from the USSR and catch up on its lagging export commitments to the Soviet Union and the bloc. Since efforts to increase production by raising work norms are likely to step up the flow of refugees to the West, the regime must impose greater controls on freedom of movement in order to curb the flight of sorely needed workers if higher production goals are to be met. Fears of impending restrictions have already resulted in a sharp increase in the number of refugees--about 1,200 above normal last week.

The Russians have also probably concluded that even the limited liberalization following the Soviet 20th party congress unleashed too many dissident forces and therefore have decided that the only possible course is harsher repression under the Stalinist Ulbricht. When Ulbricht implements these tough measures, however, they are likely to generate tension which could erupt into at least isolated instances of disorder. It was just such measures which led to the riots of 17 June 1953.

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POLES INTERPRET MOSCOW DECLARATION

Polish party leader Gomulka's interpretation of the 12-nation Communist declaration signed in Moscow last month differs markedly from those of Soviet and East German party leaders. His comment at a party activists' meeting on 28 November that the declaration spoke the languages of 12 parties and was therefore subject to as many interpretations suggests that he intends to continue many of the policies developed specifically for Poland since October 1956.

Gomulka's interpretation of the declaration probably was aimed in part at holding the allegiance of those elements within his party who might have been concerned over his adherence to a document which on the surface appeared to compromise the Polish position. Gomulka told his party that its main hope of salvation and for continuance of its new policies--accepted only "in principle" by fraternal parties--is first to prove their validity in Poland, making it a prime example of the development of Communism via a "separate road."

He has thus called for a tightening of discipline in the party to enable it to take the leading role in the life of the country. Though this "leading role" is required as a basic principle of Communism, it will not be "the dogmatic conception of the leading role of the Communist party," which Gomulka claimed "inflicted great damage" on the unity of the Communist parties in the past.

Indicative of the considerable degree of ambiguity of language that apparently was necessary in order to satisfy the various parties before they signed the 12-nation declaration

are the differences of emphasis now given to it by the Polish leader and the USSR. In one of the first Soviet interpretations of the declaration, Soviet party presidium member Furtseva emphasized to party activists on 27 November that the agreement represented recognition of Soviet leadership of the orbit Communist parties.

Gomulka, in contrast, placed most emphasis on the independence of each party in internal affairs. Furtseva stressed that collective settlement had resolved all matters in dispute between Communist parties, while Gomulka maintained that there was continuing disagreement among them.

The dangers of "revisionism"--pressure for more liberal policies--were stressed by Furtseva. Although Gomulka agreed that "revisionism" presently constituted the major danger, he called the document a strong indictment of "dogmatism," i.e., Stalinism. Furtseva placed special significance on common factors of Communist development, while Gomulka emphasized the recognition of the importance of national peculiarities. Furtseva implied a need for greater militance in the world Communist movement, contrasting sharply with Gomulka's promising picture of peaceful and inevitable development of socialism in all countries, which suggests no need for militance in world Communism, but rather a less dangerous policy of watchful waiting.

Gomulka further demonstrated his differences with Moscow by his inclusion of Yugoslavia among the "13 states building Communism who 'belong to the family of socialist countries.'" He may also have been motivated by his

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reported disillusionment with Chinese Communist leader Mao. He probably no longer believes he can depend on Mao for support on matters beyond the letter of the declaration. He stood with Yugoslavia in strongly condemning both the Cominform and the Comintern, and set forth two prerequisites for any future multi-party meetings: notification to participants of subjects for discussion, and agreement to participation by independent vote of the various central committees.

Gomulka defended Yugoslav and Polish acceptance of Western economic aid, specifically declaring that the United States in offering aid did not put forth any conditions detrimental to Polish independence. He warned, however, against those in the West who tried to demonstrate that all aid from both East and West was designed to

promote political dependence. Varying versions of Polish broadcasts of the speech to Eastern and Western audiences were slanted to emphasize to the West Poland's adherence to Communism and to the East its determination to maintain a certain degree of independence.

Among Gomulka's deviations from the Soviet line was his virtual disclaimer of the possibility of war between capitalist nations. He stated that the existence of an "enemy" socialist camp unified capitalist nations in an anti-Communist bloc. Gomulka further said war between East and West would be a thermonuclear holocaust which, though it would destroy capitalism, would obliterate the achievements of all nations and make a cemetery of the entire world.

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LARGE INCREASE IN SOVIET RAIL TRACKAGE INDICATED

An unprecedented rise in the rate of construction will be necessary if the USSR is to increase its rail transport net by 30 percent--about 21,600 miles--in 13 years as predicted by T. S. Khachaturov, a Soviet railway expert. He wrote in the September issue of Economic Problems that the volume of transport would double between 1955 and 1970, and that about 1,800 miles of track would have to be built each year from 1961 through 1970 for a 30-percent increase in trackage. Only 720 miles a year were scheduled under the Sixth Five-Year Plan.

Soviet planners may believe the increases in output of basic commodities visualized by Khrushchev for 1972 dictate construction of this scope. The present electrification and dieselization program, which should completely eliminate steam traction by 1970, will increase the traffic volume by

permitting the use of faster and more powerful locomotives. In addition, the use of heavier rails, the provision of cars with greater carrying capacity, and expansion of the use of modern signaling systems will increase the efficiency and operating capabilities of the railways. In a recent interview, Khachaturov emphasized the necessity of a substantial basic investment program for the railroads.

No firm plans have been announced for construction beyond 1960, but most of it will probably be in the eastern and northern regions. Construction of at least two major lines, the Amur-Yakutsk Railroad and the Polunochnoye-Labytnangi Railroad, through remote areas of permafrost and swampland has been suggested. The technical problems related to railroad construction over permafrost have already been solved

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home villages. Hard-core Communists will be isolated in these centers and will be placed under surveillance after their release. In addition, Souvanna has ordered a nationwide, anti-Communist propaganda campaign.

The positive effect of these developments is somewhat offset by indications that the Pathet representatives in the Laotian cabinet, Prince Souphanouvong and Phoumi Vongvichit, are already wielding influence approximating a veto over some government decisions relating to the implementation of the settlement accords.

There are reports that Hanoi is withdrawing modern military equipment and most Vietnamese cadres from Laos. Many Laotian officials feel that as many as half of the Pathet Lao troops will not surrender but will stay in "the bush" or cross into North Vietnam. These elements might be held in reserve in North Vietnam to ensure against violation of Communist interests during the implementation of the accords.

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RACIAL ANIMOSITIES THREATEN MALAYA'S POLITICAL STABILITY

Recent demonstrations of discontent among Malaya's large Chinese minority indicate that the postindependence communal "honeymoon" may be coming to an end and that further interracial friction is to be expected. The strongest indication of this prospect was the decisive defeat of the ruling Alliance party's candidate by a left-winger of Ceylonese descent on 23 November in a federal legislative council by-election in the tin-mining center of Ipoh in northern Malaya.

The victorious candidate, D. R. Seenivasagam, a London-educated lawyer who is secretary general of the People's Progressive party, openly exploited Chinese fears of Malay domination. His efforts were greatly facilitated by the recently initiated government program to eliminate Communist ag-

itators in Chinese schools. The resulting protests by Chinese students led to riots and demonstrations in several key Malayan cities, the temporary closing of ten schools, expulsion of some 70 students, and the arrest of more than 30. There is little doubt that these government actions are interpreted by a large portion of the Chinese population as a threat to Chinese culture rather than suppression of Communist activities.

The election results and student riots probably will lead to the development of an irresponsible and increasingly potent left-wing opposition in Malaya which will place a heavy strain on the delicately balanced Malay-Chinese political co-operation within the Alliance party.

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These events, besides causing Chinese discontent, appear to have aroused latent Malay animosity toward the Chinese. Prime Minister Abdul Rahman was booed for the first time in his political career by Chinese youths during an Ipoh campaign rally. Malay resentment over this disrespect almost led to physical attacks on the Chinese. Malay opposition leaders are already seeking to exploit anti-Chinese sentiment by claiming that the United Malay National Organization, the Malay party in the Alliance, has followed a dangerous course by cooperating with the Chinese.

If, as now seems possible, racial friction leads to Alli-

ance defeats in the Penang city council elections on 7 December and the Batu Pahat legislative council by-election on 14 December, a trend toward a polarization of communal interests may be established which could lead to political instability.

Intensification of racial strife will also greatly complicate the efforts of a Malay-dominated police and civil service to control subversion among Malaya's 2,500,000 Chinese at a time when the Communists seem ready to abandon their armed rebellion in order to concentrate on "peaceful" subversion.

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LABOR PARTY VICTORY IN NEW ZEALAND ELECTIONS

The narrow victory won by the New Zealand Labor party in the parliamentary elections on 30 November probably resulted from its successful exploitation of the weaknesses in the nation's economy and from its promises of increased tax and welfare benefits. The final composition of the 80-man parliament, after a special election postponed in one constituency until January, is expected to be 41 to 39, in contrast to the outgoing National party's margin of 10 seats. After the election of a parliamentary speaker, who votes only in case of a tie, the Labor government is expected to hold a voting margin of only one seat.

Despite current prosperity, the National party government was under heavy criticism for continued price increases, a credit squeeze, difficulties in marketing agricultural exports, and a drain on exchange reserves caused by heavy private imports. Labor party promises, however, of lower interest rates, housing

loans, agricultural subsidies, expanded welfare payments, and an early special session of parliament to enact a sizable tax rebate may increase inflationary pressures and production costs. It is probable, therefore, that eventual imposition of price controls and increased import restrictions may aggravate the country's economic difficulties.

In the field of foreign policy, both the National and Labor parties have given bipartisan support to close defensive cooperation with the United States and to regional defense commitments. The Labor party, however, may be expected to introduce some modifications in the present foreign policy. It has called for the suspension of nuclear weapons tests by all nuclear powers and urges emphasis on the social and economic rather than the military aspects of SEATO.

Labor has long demonstrated an affinity for stronger ties with Britain in foreign policy

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and trade relations, although it hopes to expand markets in Asia. In this respect, Labor advocates recognition of Communist China and its admission to the UN. An early step in this direction, however, may be deferred by a desire not to offend the United States, and by strong opposition from the country's major trade federation.

The government is likely to be dominated by the views

of elderly but energetic Walter Nash, the prime minister-designate, who is expected to assume responsibility for external affairs or finance. Aside from Nash, party leadership is not impressive. It has been weakened by illnesses of his two ranking deputies and by some policy and personality differences among other prominent subordinates.

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25X1**BRAZIL'S COMMUNIST PARTY SEEKING LEGAL STATUS**

The Brazilian Communist party--one of the largest and most influential Communist parties in the western hemisphere--has launched a bold campaign to overcome the effects of internal dissension and, at the same time, to regain its pre-1947 status as a legal party in time to exert greater influence on the 1958 congressional elections. In recent weeks the campaign has been aided significantly by the psychological impact of Soviet scientific achievements and by the Soviet bloc's well-publicized offers of trade and economic aid to the government.

The Communist party has not yet made a formal appeal for a reversal of the 1947 electoral court ruling that renders it illegal. It is apparently concentrating on a preliminary effort to soften public opinion and to entrench its medium-level leaders in overt political organizations. Internally, the presidium has been purged by Secretary General Luiz Carlos Prestes, who has publicly blamed the deposed members for his own unsuccessful authoritarian policies.

Prestes published a statement on 9 November asserting that the party has been in error in advocating the violent overthrow of the government. Actually, the official party line has for years advocated united-front tactics, but this fact has not been highlighted for the public.

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In another move apparently calculated to demonstrate willingness to work within the law, Prestes' lawyers have announced that he will come out of hiding to answer two long-standing sedition charges, provided the courts withdraw an order for his arrest. The party treasurer and a number of central committee members have already appeared in court and are now free to work openly. Many lesser known leaders are devoting full time to organizing nationalist fronts in an effort to capture leadership of the growing ranks of leftist "superpatriots."

Public response to the campaign has probably been dampened somewhat by the unexpectedly strong anti-Communist speech delivered by War Minister Lott on

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27 November, the anniversary of the 1935 Communist uprising in Brazil. State political organizations will probably continue to solicit Communist electoral support, however, as they have already done in Sao Paulo, and

a number of influential congressmen have taken the position that Communist party legality is desirable since open activity is preferable to secret maneuvering.

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POLITICAL INSTABILITY IN CENTRAL AMERICA

In Central America, where political instability is chronic, the situation at present is most critical in Guatemala, where Communists are in a position to make important gains. Honduras appears about to emerge from a turbulent three years during which constitutional government has been in abeyance. Costa Rica is in the midst of a bitter election campaign. The governments of Nicaragua and El Salvador at present are relatively stable.

The Communist-infiltrated Revolutionary party of Guatemala may win the 19 January national elections unless the divided anti-Communist political parties join forces. There are at least ten anti-Communist parties grouped behind four ambitious presidential candidates. Any one of several groups now plotting the forcible seizure of power may attempt a coup before election day. Each claims support in the faction-ridden army. An attempted coup might spark new and serious disorders.

Political stability in Honduras will depend largely on continuation of the present accommodation between two strong personalities: President-elect Ramon Villeda Morales, leader of the majority Liberal party, and Colonel Oswaldo Lopez, dominant member of the outgoing junta. Villeda is scheduled to be inaugurated on 21 December,

when a new constitution also goes into effect. The constitution provides for a chief of the armed forces who will be virtually independent of presidential authority--a concession Villeda felt compelled to make to the politically important military to assure his inauguration. The new post will probably be held by Colonel Lopez.

The chief of the armed forces will have considerable influence, if not control, over civil government. As long as he and the President work together, the military will be a strong force inhibiting the violent political rivalries which have weakened the country in the past.

In Costa Rica, three presidential candidates are contesting the 2 February election to determine President Jose Figueres' successor. The campaigning is becoming so bitter that it may prove a real test of the Costa Rican tradition of orderly democratic government.

Young President Somoza of Nicaragua is enjoying wider popularity than did his authoritarian father, who was assassinated last year. The government is concerned, however, at the increased activity in recent weeks of die-hard anti-Somoza exiles in neighboring countries, although the threat does not appear serious at the moment.

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FIGHTING CONTINUING IN IFNI AREA

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Sharp fighting between Moroccan Army of Liberation irregulars--probably a mixture of disaffected local tribesmen and professional guerrillas from Morocco--and Spanish forces continues in Ifni. Spain is reinforcing its West African garrison, but appears to be having considerable difficulty suppressing the insurgents, who some Spanish officials claim are Communist-influenced.

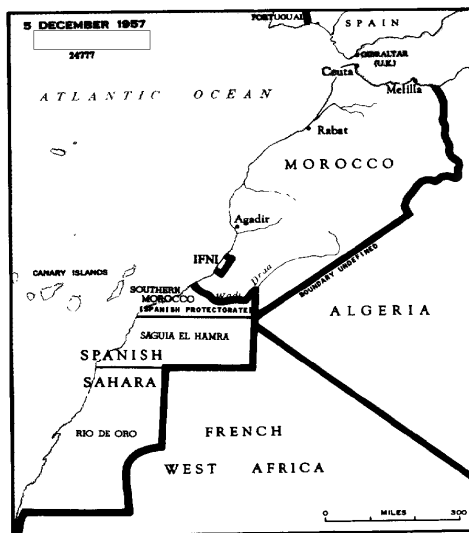
Rabat and Madrid have presented contradictory, exaggerated accounts of developments in and around the enclave since violence erupted there on 23 November. Madrid acknowledged this week that fighting had spread to the Saguia el Hamra area of Spanish Sahara, [REDACTED]

Spanish officials appeared seriously concerned last week about Spain's ability to cope with the guerrillas. Spanish Army Minister Barroso is reported to have said on 27 November that the situation in Spain's West African possessions was "grave and disagreeable."

Total Spanish troop strength in the area is believed slightly in excess of 8,000 men, about half of whom are in the enclave and the remainder in Spanish Sahara. Another 1,600 to 1,800 soldiers are reported en route to the region--though these troops may be headed for the Canary

Islands, where Spain's strategic reserve has been depleted by recent transfers to the mainland. In addition, most of Spain's active naval fleet and approximately 40 Spanish military aircraft, including fighters and bombers, are reported engaged in the current operation.

The strength of the insurgents is believed to be



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greater than the 1,000 to 1,200 men originally reported. Although Spanish officials believe the guerrillas are influenced if not controlled by highly placed extremists in Morocco's dominant Istiqlal party, Madrid has so far refrained from precipitating a major political crisis over the affair.

The Moroccan government has formally protested alleged

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Spanish violations of Moroccan territory, but Rabat officials --including Crown Prince Moulay Hassan, who is acting as regent

while his father, Mohamed V, is in the United States--have appeared anxious to avoid a rupture with Madrid. [REDACTED]

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UN DEBATE ON ALGERIA

Although France regards as "totally unacceptable" any UN resolution which would inject Tunisia and Morocco into the Algerian situation as negotiators, this year's General Assembly may call for such negotiations without naming the two North African nations. A number of UN members consider the offer of good offices by Tunisia and Morocco the best chance for a solution to the problem.

The Arabs decided at a 2 December caucus that they could not support a resolution "without substance," such as last year's, which merely expressed the General Assembly's hope that a peaceful, democratic, and just solution could be found. They believe that even a moderate resolution should call on the parties to negotiate and contain some reference to self-determination. Japan and other moderate members of the Asian-African bloc have been attempting to negotiate a compromise resolution which would be ac-

ceptable to France and yet satisfy some of the demands of the more volatile members of the bloc. The Arab states have attacked the basic statute which was endorsed by the French National Assembly on 29 November as perpetuating French sovereignty and control and closing the door to the evolution of Algerian institutions.

French Foreign Minister Pineau's moderate opening statement in the UN on 27 November reaffirmed France's readiness to negotiate a cease-fire without political preconditions. [REDACTED]

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France would probably be able to accept a slightly stronger resolution this year. Outright French rejection of conciliatory efforts might result in immediate retaliation by the Arabs and would negate all attempts by several UN members to keep the Algerian debate as mild as possible in order to avoid a French walkout of the UN. [REDACTED]

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ITALIAN GENERAL LABOR CONFEDERATION ELECTS NEW HEAD

The election on 3 December of hard-line Communist Agostino Novella to the post of secretary general of the Italian General Labor Confederation (CGIL) will result in efforts by the Italian Communist party (PCI) to in-

crease its control over the labor organization. At the same time, however, creation of the new post of deputy secretary general for Nenni Socialist Fernando Santi reflects the Communist party's recognition of the need to make

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some compromise with the Nenni Socialists as well as with those rank-and-file Communists in the CGIL who want to stress labor rather than political interests.

Novella, 52, has been a member of the PCI central com-



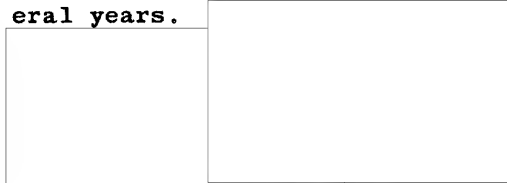
SANTI

mittee for several years and is considered primarily a party man. He is reported to have acted as a party "watchdog" over his predecessor as secretary general, the late Giuseppe Di Vittorio, who is understood to have accused him of blind obedience to the party in labor matters. Novella has had many years' experience in organizing metal and shipyard workers. He left the CGIL secretariat in June 1955 to take over and reorganize the metalworkers' federation, which had made a poor showing in the Fiat shop-steward elections. It is possible he was forced out of the secretariat at that time by Di Vittorio, who objected to subordinating the CGIL to the party. Novella is an excellent orator and a good organizer, but he has neither the prestige nor the popularity of Di Vittorio.

Novella's political orientation may make it difficult

for him to adapt himself and the CGIL to bargaining at the plant rather than the national level. Such an adaptation is a pressing need in view of the success of the free Italian labor organizations in this respect and the declining membership and shop-steward strength of the CGIL.

Santi, 55, an Italian Socialist party deputy and a close associate of Nenni, has held important posts in the CGIL since 1945 and has been a member of the secretariat for several years.

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Creation of the new post for him suggests that the Communists, even at the risk of divergencies between the new chiefs, realize they must take more account of legitimate labor objectives--pushed by the Nenni Socialists--



NOVELLA

in order to avoid risking accelerated membership losses or even splitting the CGIL.

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GAILLARD FACES BUDGET BATTLE

French Premier Gaillard appears determined to reduce the 1958 budget deficit some \$830,000,000 below the estimated 1957 deficit despite growing Socialist unrest over the effects of his austerity program. Unless the National Assembly approves the 1958 budget by the end of December, the government will be forced to operate on a month-to-month basis, and France will be faced with new problems in securing badly needed external aid.

Gaillard's threefold anti-inflation program--to keep the budget at a maximum of about \$12.5 billion (at the new exchange rate of 420 francs to the dollar); to maintain price stability; and to restore equilibrium to France's balance of payments through increased exports--will require extensive sacrifices from the French public which in general remains unaware of the country's critical economic situation.

Drastic cuts in even very important services are scheduled and many subsidies have already been curtailed.

Premier Gaillard was forced to call for a second vote of confidence on his tax proposals and special powers by the National Assembly's threat to follow the lead of the hostile Council of the Republic in amending the proposed bill. Even with a new endorsement by the deputies on 5 December, his program can again be delayed by the council, which can hold up application of the measures for a maximum of 100 days. Gaillard is seeking an additional \$28,520,000 in budget economies, but growing Socialist unrest over the effects his pro-

gram has already had in raising food prices and cutting welfare services threatens the government. In any case, assembly opposition to belt-tightening will become increasingly evident as the effects of the austerity program become evident.

A major difficulty in balancing the budget is the continuing drain of more than \$1 billion yearly for military operations in Algeria. Nuclear research and development costs are probably another important expense. Other inflationary factors are expanded credit, which would be politically difficult to curtail, and pressure for wage increases. New rises in food and raw material prices went into effect on 2 December, boosting the price index to the point at which wage hikes are mandatory, and there is growing skepticism that the government will be able to stop at the relatively small price concessions.

The price rises may undercut the government's stepped-up export campaign, which in any event will not immediately increase France's foreign exchange holdings. While the government is expected to be able to meet the \$50,000,000 due this month for the servicing of existing external debts as well as its EPU obligations for November, it will probably have to seek about \$500,000,000 in January. If France fails to justify its EPU loan application by detailed financial reform plans, it will be faced with the alternatives of postponing payment on imports or dipping into the last remaining \$576,000,000 worth of gold in the Bank of France.

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ICELAND

Iceland's trade with the Soviet bloc continued to increase during the first nine months of 1957. Assurances of loans from the United States and West Germany have momentarily eased pressure on the government to accept Soviet offers of assistance, but plans for extensive modernization of the fishing fleet may make the Soviet offers tempting again.

Iceland's increasing economic dependence on the Soviet bloc is shown by recently reported foreign trade figures. During the first nine months of 1957, the bloc absorbed 36 percent of Iceland's exports and supplied 34.2 percent of its imports, as contrasted with 30 and 26.4 percent respectively for 1956. The rise reflects the inability of Iceland to market its fish elsewhere, in considerable part because of its reluctance to undertake the drastic economic reforms necessary to make prices more competitive.

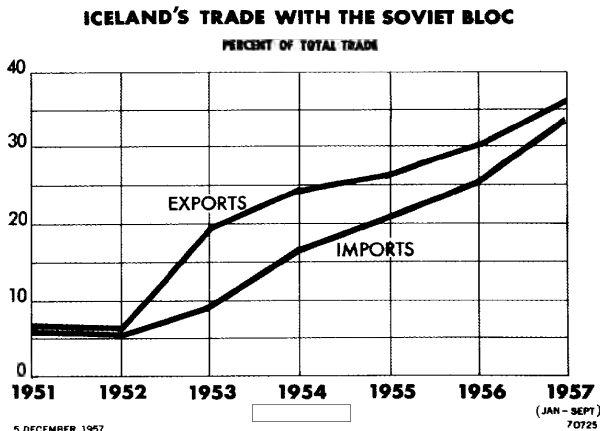
East Germany has delivered several of the 17 fishing vessels which it has contracted

to build for Iceland. Payments are being arranged from credits in the bilateral trade account between the two countries. The government is reportedly also arranging to purchase 15 additional large trawlers abroad through foreign loans.

Pressure on Reykjavik to negotiate Soviet offers of loans and assistance amounting to over \$25,000,000 has eased as a result of the assurances Iceland received early in November of American and West German loans totaling \$5,000,000 and \$2,000,000 respectively. These loans will enable the government to continue its ambitious domestic economic development program without resorting to deficit financing.

The Communists have intensified their agitation against the US-manned base at Keflavik. Their press has hinted that they might withdraw from the coalition with the Progressives and Social Democrats. It is more likely a chauvinistic maneuver to influence the January municipal elections, since the Communists, at their recent party congress, called on the government to implement the parliamentary resolution of March 1956 for the withdrawal of American forces but apparently made no threat to resign.

Communist criticism has, however, caused Foreign Minister Gudmundsson to request the activation of the joint US-Iceland Defense Standing Group agreed upon by both countries in the

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6 December 1956 exchange of letters, to "study defense needs in the light of the development of world conditions,

and make recommendations to the governments how to meet these problems." [redacted]
(Concurred in by ORR)

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LEADERS OF EURATOM AND COMMON MARKET COUNTRIES TO MEET

Government leaders of France, West Germany, Italy, and the three Benelux countries who will be in Paris for the mid-December NATO meetings are expected to find time on the side to name the top personnel and select a location for the new EURATOM and European Common Market institutions. Aside from the immediate importance of these decisions for the formal inauguration of the two projects on 1 January, many "pro-Europeans" believe the location of these organizations will prove to be the future capital of a federated Europe.

Of the 30-odd positions to be filled, the most important are the 14 in the EURATOM and Common Market commissions and their chairmen. These commissions share "executive authority" with the councils and exercise major discretionary and advisory powers. The vitality of EURATOM and the Common Market will accordingly depend to a considerable degree on finding men of stature for these posts while at the same time satisfying the national aspirations of the member countries.

Behind-the-scenes negotiations have probably already narrowed the choices for at least the top positions. Thus the recent resignation of Rene Mayer from the presidency of the Coal-Steel Community (CSC) has paved the way for the ap-

pointment of a German national to that post, a Frenchman to the chairmanship of EURATOM, and someone from the Benelux countries to preside over the Common Market. Italy will presumably be content with leading positions in the court and assembly which will eventually serve all three organizations. Such an arrangement would have the advantage of denying to France "leadership" in the Common Market--where it is the nation considered most likely to be obstructive--while allaying possible fears of German "leadership" of EURATOM.

The choice of headquarters has narrowed to Brussels, Strasbourg, Paris, Luxembourg, and Milan--in that probable order of preference. Britain, with an eye to developing ties with the Common Market through its projected European free trade area, and possibly influencing its development, has pressed the six member nations to locate the Common Market institutions in Paris because the OEEC is already located there. There is some tendency to divide the various institutions among the member countries. It seems likely, however, that all of the new institutions, as well as those of the CSC, will be centered in one place--perhaps in a specially created "federal district" as proposed by Jean Monnet's influential Action Committee for a United States of Europe. [redacted]

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PART III

PATTERNS AND PERSPECTIVES

EUROPEAN VIEW OF THE ATLANTIC ALLIANCE

Western European governments consider the NATO meetings from 16 to 18 December of critical importance in clarifying the alliance's military role and testing its political cohesiveness. They believe this first meeting of heads of governments of the NATO members should lead to closer collaboration in science and in the technology of weapons production. France, West Germany, and others may be expected, however, to continue developing their own modern weapons and will probably continue to lag on their NATO force commitments.

The forthcoming meeting has aroused high public interest. This interest was stimulated by the original Eisenhower-Macmillan communiqué of 25 October promising support of greater scientific collaboration in NATO, and has been sustained in subsequent weeks by the unusually large number of visits by various European cabinet members to other capitals. Some European statesmen fear public expectations may be too high. They emphasize that the session must do more than show the NATO members' good intentions, or the hostile reaction will leave the alliance worse off than if there had been no meeting at all.

Of the varied topics covered by the Paris meeting's broad and generalized agenda, European leaders seem concerned primarily over two major questions: how NATO's defense mission should be carried out; and the problem of cohesion in the alliance.

NATO's Mission

Continued military cutbacks testify to most members' belief that Soviet aggression in Europe is improbable for years ahead. Also, deep doubts prevail on the role of nuclear weapons in the defense of Europe. Opinion polls reflect the public's general dismay at the possible use of nuclear weapons; in France, Italy, and West Germany, a majority of the respondents consider nuclear energy more a "curse" than a "boon" to humanity. This attitude is reflected in the government's requests to share in the decision on when to retaliate with nuclear weapons against a Soviet attack.

As the types of nuclear weapons expand, uncertainty grows among European leaders as to whether a graduated deterrent is possible by drawing a distinction between tactical and strategic nuclear weapons. American political and military analyst Kissinger's "Nuclear Weapons and Foreign Policy" has been widely read by British officials, and concern over its possible reflection of an American intention to fight a limited defensive war in Europe has probably contributed to the British request for a new special review of NATO's mission.

Cohesion of the Alliance

Concern over the cohesion of the alliance looms large as a consequence of this anticipation of no early aggression in Europe and of some members'

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preoccupation with matters outside the North Atlantic Treaty area. West Germany, with few outside commitments, speaks most vigorously for those who would extend the machinery for consultation among members on all disputes throughout the world. Britain and others with non-European interests continue to balk at any such commitment, however.

Another persistent charge --that an exclusive Anglo-American "directoriate" exists--has been voiced anew in France, where the special relationship between London and Washington has long been viewed with distrust. The American NATO mission notes that this suspicion is also shared by other NATO members.

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The rapid advance in developing destructive, long-range weapons has renewed anxieties regarding the permanence of the American commitment in Europe. In Britain, for example, some people have expressed the fear that with the continental United States within range of Soviet nuclear assault, Washington may be less willing to risk war to defend Europe. A complementary fear is that the United States will have less interest in maintaining troops or missile bases in Europe when it develops its own ICBM's.

German Defense Minister Strauss, because of this consideration, is said to have set 1961 as a target date for continental Europe to have its own nuclear weapons capability. There are indications that London, Bonn, and others may be-

lieve that European bargaining power with the United States is now at its height.

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Emphasis on Technology

Europeans are emphasizing scientific and technological development as the most fruitful area for cooperative efforts, particularly because of recent Soviet advances in this field. European opinion has welcomed signs that Washington intends to seek relaxation of legislative restrictions on American participation in such programs, especially those involving nuclear energy. There is considerable support for a pooling of basic research facilities, plus much closer coordination and exchange of information on developments of military application.

Possibilities for extended scientific and technological cooperation are enhanced by the absence of the deep-seated differences among Europeans that hamper progress in other endeavors. In the past year France and Germany have achieved the closest collaboration in the development of modern weapons--and it is possible that their present public arrangements regarding missiles may even extend into nuclear weapon development. Other, more limited, bilateral arrangements among Britain, France, Germany, the Netherlands, and Italy may pave the way for closer ties, and the seven-member Western European Union offers a framework for their multilateral extension if NATO-wide collaboration fails to develop.

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Defense Issues

The current NATO annual review of defense plans shows a general picture of further lags, withdrawals, and cutbacks on the part of most members in the central and northern European area. Renewed interest in some manner of military integration along the pattern of the abortive European Defense Community is evident, especially in Germany and Italy. London appears to have had second thoughts about its plans of last spring to build a nuclear deterrent of its own at the expense of conventional forces.

Nonmilitary Cooperation

Several members, notably Italy and France, have emphasized the need for greater cooperation in nonmilitary fields. They urge the alliance to encourage greater economic aid to underdeveloped areas to combat

Soviet gains. The foreign ministers of both France and Italy have lent their names to plans to aid such areas, for which they probably will seek support at the forthcoming meeting. However, they appear to respect the view endorsed at the December 1956 foreign ministers' meeting that NATO should not become an "operating agency" for economic aid. Most members urge greater use of the OEEC to consider economic problems within the alliance.

Many members have noted that the meetings will be closely watched outside the NATO area by those anticipating a Western "response" to Soviet advances. They believe the conference's concluding communiqué must both show neutral nations the alliance seeks more than a narrow military alliance and give evidence of sufficient decisiveness to provide hope to those seeking defense against Soviet aggression.

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SOVIET GROUND FORCE WEAPONS

Observations of new and improved weapons at the October Revolution Day parade this year confirm information previously received that the Soviet ground forces are continuing to improve their conventional armament at the same time they are supplementing their arsenal with a family of tactical support missiles. The new weapons, apparently the results of an intensive research and development program which began in 1950, have greater firepower than those they supplant and give to

the units armed with them an impressive degree of battlefield mobility. These developments are in line with Soviet tactical doctrine, which is designed to meet the demands of nuclear as well as conventional warfare.

Artillery

Soviet tactical doctrine regards missiles and nuclear weapons as a supplement to, rather than a substitute for,

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conventional fire support. Conventional artillery pieces and truck-mounted rocket launchers shared honors at the recent parade with new short- and medium-range missiles believed capable of carrying nuclear warheads. Two "Honest John-type" artillery rockets which appear

Integration of the new missiles and rockets with conventional pieces, mortars, and rocket launchers would provide flexible fire support at greater depths, as well as area saturation through massed fire.

New field artillery pieces began appearing in 1954 when a 130-mm "corps gun," an adaptation of a proven naval piece, was shown. The following year a 203-mm gun howitzer, a 152-mm howitzer, and a 122-mm field gun appeared. All of these weapons displayed improved roadability and replaced weapons of similar caliber.

In 1953, 160-mm and 240-mm towed heavy mortars appeared, as

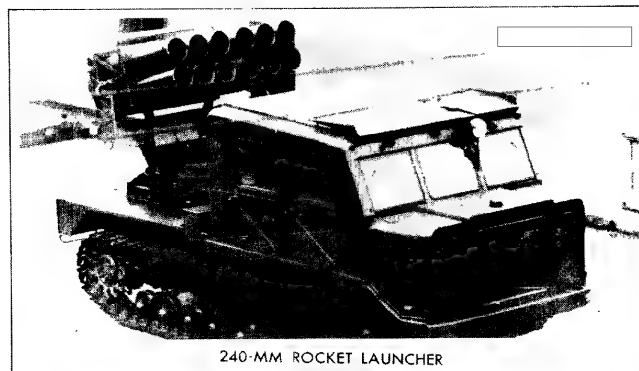
well as the first of a series of three new truck-mounted rocket launchers firing spin-stabilized rounds and ranging in size from a 16-round, 140-mm model to a 12-round, 240-mm model. Displayed this year at the parade were a 13-ton truck mounting

to satisfy two separate range requirements of up to 75 miles, one mounted on a tracked amphibious tank chassis, were followed in the parade by two medium-range tactical missiles with probable ranges of 150-200 and 350 miles. These weapons are believed to be available to combat units.

Several models of rocket launchers --one mounted on a tracked vehicle--and two models of a self-propelled "atomic cannon" mounted on a lengthened heavy tank chassis, were seen for the first time in the parade and provide further evidence of Soviet emphasis on mobility. One of the heavy guns was a conventional 12- to 14-inch type and probably has atomic capability. The other was of similar caliber, apparently without a recoil mechanism, and probably fires a jet- or rocket-assisted round.



350-MILE BALLISTIC MISSILE



240-MM ROCKET LAUNCHER

two banks of three new rockets approximately 10 inches in diameter and 17 feet long and a 12-tube, 240-mm rocket launcher mounted on a tractor.

In the antitank field, a 57-mm, self-propelled antitank

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gun, probably air-transportable, appeared in the parade. A modified version of the 85-mm divisional gun M-1945--an antitank gun which can be propelled by a small motorcycle engine--also has been observed in the last year.

As for antiaircraft artillery, a new self-propelled dual 57-mm gun that would provide mobile antiaircraft protection for tactical units was displayed this month. Mounted on a modified T-54 tank chassis, the weapon is equipped with light armor protection for the crew compartment. The 57-mm towed antiaircraft gun, first observed in 1950, has replaced the 37-mm model in forward areas, and the 100-mm towed antiaircraft gun has replaced the 85-mm model in antiaircraft artillery divisions guarding static installations. The 122-mm towed heavy antiaircraft gun, first observed in 1955, is being used temporarily to supplement missiles in the defense of strategic targets. A surface-to-air two-stage missile shown in the recent parade completes the Soviet weapons system for antiaircraft defense.



Since 1945 the ground forces also have been supplied with a family of high-speed tracked prime movers capable of handling the entire range of Soviet towed artillery. These prime movers--one of which has

been observed towing a 100-mm gun--are being adapted for towing and mounting both rockets and missiles.

Armor

A new heavy tank and the T-54 medium tank were publicly



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displayed in Moscow for the first time this year. The new tank is probably the oft-reported T-10, replacement for the JS-3 tank now being observed in limited numbers in the hands of Soviet troops in East Germany. Approximately 5,000 of the T-10 tanks, powered by a new 12-cylinder diesel engine, are believed to have been produced to date. The T-54 medium tank is rapidly replacing the T-34 in Soviet units and is now being issued to satellite armies. A new assault gun mounting a 122-mm piece on the T-54 tank chassis is also being issued.

New wheeled armored vehicles placed in general use since 1950 include six- and four-wheeled armored personnel carriers.

Amphibious

In line with Soviet tactical doctrine, which calls for rapid movement and dispersion to avoid troop concentrations, a complete family of amphibious vehicles has been produced ranging from a jeep to a tank. For

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several years in succession, a new type amphibious tank has been issued to reconnaissance elements. The amphibious, armored, full-tracked personnel carrier observed in this year's parade will provide close armored infantry support in any type terrain which can be trav-



HEAVY TANK

ersed by Soviet tanks. The amphibious jeep appears to be an exact copy of an American model, and an amphibious six-wheel truck is similar to the American DUKW. One full-tracked amphibian has been observed; several others have been reported.

Bridging equipment has been improved to keep pace with the additional armor and heavy weapons in the hands of Soviet troops. In use is a heavy steel pontoon bridge with a capacity of 100 tons that can span any river. Several types of assault bridging for spanning short gaps have been observed in East Germany in the past several years.

Small Arms and Transport

The rugged and effective family of infantry arms used during World War II has been replaced by an impressive series of new and improved pistols, semiautomatic carbines, submachine guns, antitank launchers, and 82-mm and 107-mm towed, recoilless, antitank weapons. Three small arms fire a standardized 7.62-mm rimless cartridge.

In the motor transport field, the USSR has made a significant improvement in standardizing cargo vehicles and adapting them for use as prime movers, personnel carriers, and such special-purpose vehicles as ambulances, mobile repair trucks, and signal vans.

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AFGHAN EFFORTS TO MAINTAIN A BALANCED FOREIGN POLICY

Afghan King Zahir Shah will return the visit of Pakistani President Mirza by going to Karachi on 10 December in the latest of a series of state visits by Afghan leaders. Zahir's scheduled trip is probably intended to demonstrate further the general Afghan-Pakistani rapprochement which began during the spring of this year. The Afghan government apparently wishes to emphasize

that while its relations with the USSR have expanded, it wants to maintain a balanced foreign policy by strengthening its relations with nonbloc countries.

Relations with Soviet Bloc

The Afghan government has expanded its international contacts and tried since Prime Minister Daud assumed office in

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1953 to institute progressively more vigorous developmental policies, largely predicated on foreign aid. The program of Soviet-assisted economic development begun in 1954 expanded rapidly following the signing of the \$100,000,000 loan agreement in January 1956. Many projects were agreed on by the Afghans, preliminary surveys were made, and cost estimates were submitted by the USSR to the Afghan government.

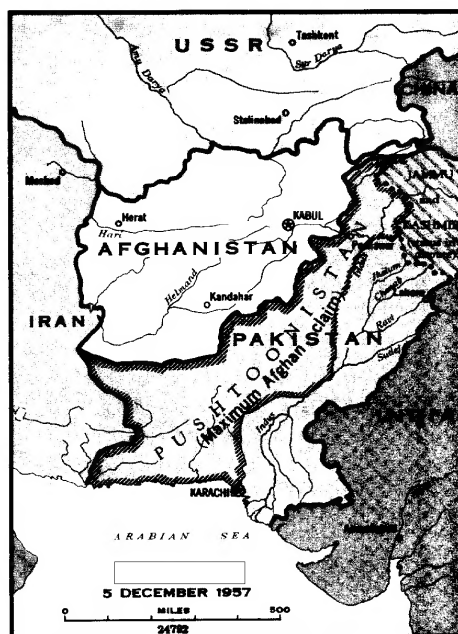
In many cases the Afghans eventually found that the estimated cost of a project was much higher than had been anticipated on the basis of estimates submitted previously by free world companies. Because of the high costs, the Afghan government proceeded more cautiously and contracted for engineering surveys only for those projects in which it was most interested, apparently feeling partly compensated for the high costs by the long-term credits and low interest rates under the terms of the loan agreement. Projects on which construction has begun have been mainly confined to oil storage depots, transportation development, and airfields, all in the northern part of the country. Little construction was in evidence during the 1957 summer building period.

In spite of the relatively slow implementation of projects under the \$100,000,000 loan agreement, Afghanistan's economic relations with the Soviet bloc have continued to expand. A large part of a \$5,000,000 Czech loan extended in September 1954 has now been committed under construction contracts. Trade agreements have been concluded with the USSR, Poland, Czechoslovakia, and Communist China.

The Afghan government also accepted further Soviet economic assistance under the terms of the oil exploration agreement

announced on 30 July of this year, at the conclusion of Zahir's visit to the USSR. Afghan exports have been increasingly obligated to the bloc to pay for imports received under the terms of the trade agreements and to service credits covering both economic and military assistance. These obligations will continue.

More rapid progress has been maintained in implementing the program of Soviet military assistance to Afghanistan. Enough modern weapons to completely re-equip Afghanistan's 64,000-man military and gen-



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darmerie establishment probably have been delivered. A Soviet military mission has been training a cadre of Afghan officers in the use of these weapons, and the officers are expected to train Afghan troops to use them in the near future. The Afghan army may also be reorganized along Soviet lines.

Soviet influence in the Afghan army probably constitutes

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the greatest potential danger to the Afghan government and raises the possibility of a coup by Soviet-oriented officers, as occurred in Syria. The royal family, which dominates the government, is supported mainly by the Pathan tribes. Yet, because of the strength of these tribes, the government does not attempt to draft their young men into the army, and Afghan enlisted men are therefore drawn from minority peoples such as the Uzbeks and Tadjiks. In the past, these troops have not been as effective fighters as the Pathan tribesmen, but as they acquire modern weapons and learn how to use them they may be able to oppose the Pathans effectively. These troops will be commanded to an increasing degree by Soviet-trained officers.

Though Afghan relations with the Soviet bloc are apparently very friendly, they may be dictated primarily by Afghan respect for Soviet strength and by the Afghan government's desire to secure economic and military aid from bloc countries. Afghanistan has nevertheless remained sufficiently free of bloc influence to endorse the American Middle East doctrine when it was the primary Communist propaganda target in the Middle East. It is notable that no joint communiqué issued by the Afghan government and a bloc government has attacked colonialism or the Baghdad pact.

Relations with Free World

The expansion of Afghan relations with the Soviet bloc, which began when Prince Daud came to power, has been part of a general growth of Afghanistan's international contacts. The expansion of relations with the free world now appears to be regarded by Kabul as necessary not only for the development of Afghanistan but also to offset expanding relations with the bloc.

In addition to securing foreign aid programs and working to develop the national economy, the Afghan government in the past several years has established diplomatic relations with several additional countries, participated increasingly in the special organizations of the United Nations, taken an active part in General Assembly debate, sent delegations to international conferences, dispatched and welcomed cultural and trade delegations and state visitors, and concluded air and trade agreements.

Afghanistan has secured some military training for its officers from free world countries. Turkey has long maintained a training mission in Afghanistan and recently welcomed about 25 officers to Turkey for training. About 15 Afghans have been receiving pilot training in India, and a few officers are studying in American military academies.

Relations with the free world are much more extensive in the economic sphere than in other fields. There is considerable West German business interest and activity in Afghanistan and some from Japan and India. American economic relations, however, provide the most substantial competition to similar Soviet contacts.

Pan-American World Airways has assumed the management of the Afghan Ariana Airline and is helping it acquire international routes, possibly through the Middle East to West Germany. Fairchild Aerial Surveys is mapping most of Afghanistan. ICA is providing considerable technical assistance and has undertaken to build an international airport at Kandahar. Caltex is actively negotiating for a gasoline distributorship in eastern Afghanistan. Kabul is pressing the American government to help build a railroad in the south to connect with the Pakistani railroad system.

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All these activities are apparently valued by the Afghans as they tend to offset Soviet economic activity in addition to furthering the development of the country.

Afghan-Pakistani Rapprochement

A desire to improve Afghan-Pakistani relations, which had suffered following the Pushtoonistan crisis of 1955, was evidenced in Pakistani President Mirza's visit to Kabul in August 1956 and by Afghan Prime Minister Daud's visit to Karachi the following November.

The Afghans, probably motivated mainly by a desire to balance their expanded relations with the USSR, moved to improve relations with Pakistan early this year. In April, Daud announced the reversal of Kabul's Kashmir policy, which now supports Pakistan's demand for a plebiscite. At the same time, the Pushtoonistan propaganda campaign was permitted to slacken. The Afghans began to increase their use of transit facilities through Pakistan,

and, following a visit to Kabul by Pakistani Prime Minister Suhrawardy, an air agreement was signed on 23 June by the two countries. Significant was Kabul's forbearance following a report that Suhrawardy had made disparaging remarks about autonomy for Pushtoonistan during a radio interview in Los Angeles. The two countries have again exchanged both ambassadors and consuls; they had been withdrawn in 1955.

The forthcoming state visit by King Zahir to Karachi will be regarded as further evidence of the continuing improvement of relations between the two neighbors. Though the King has become increasingly prominent in Afghan policy affairs, he will probably not conduct negotiations on specific problems which would involve Afghan concessions in exchange for Pakistani concessions. Discussions will probably remain on a general level and produce a joint statement of good will, possibly including a declaration of intent to negotiate further on specific problems, such as transit development, trade, and the Pushtoonistan dispute.

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